

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE JOINT POWERS AGENCY

ANNUAL FINANCIAL REPORT

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SAN DIEGO GEOGRAPHIC INFORMATION SOURCE JOINT POWERS AGENCY

ROSTER OF OFFICIALS

BOARD MEMBERS

REY ARELLANO City of San Diego Representative

ROBERT COPPER
County of San Diego Representative

OTHER OFFICIALS

Ed Ryan
Ex-Officio Auditor and Comptroller

Mary Vattimo Ex-Officio Treasurer

Casey Gwinn General Counsel



November 27, 2002

Honorable Members of the Board:

This Annual Financial Report covers the financial activities of the San Diego Geographic Information Source for the year ended June 30, 2002 and is presented in accordance with the provisions of § 4 and 5 of the Joint Powers Agreement effective July 1, 1997.

All revenues and expenditures for these projects have been accounted for in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units, and all financial transactions occurring during the year were made in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Code commencing with § 6500.

Respectfully submitted,

Ed Ryan

Ex-Officio Auditor & Comptroller

FINANCIAL SECTION



CALDERON, JAHAM & OSBORN

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors San Diego Geographic Information Source San Diego, California

We have audited the accompanying financial statements of the San Diego Geographic Information Source ("SANGIS"), a joint powers agency, as of and for the year ended June 30, 2002, as listed in the foregoing table of contents. These financial statements are the responsibility of SANGIS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of SANGIS as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2002, on our consideration of SANGIS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in accordance with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, SANGIS adopted Statements of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and, No. 38, Certain Financial Statement Note Disclosures.

The scope of our audit did not include the supplemental information listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

November 27, 2002

Calderon, Johan & Oslom

E-mail: cjocpas@thegrid.net

P.O. Box 1039

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the San Diego Geographic Information Source (SanGIS) of the City of San Diego (City), we offer readers of SanGIS' financial statements this narrative overview and analysis of the financial activities of SanGIS for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page VII of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements distinguish functions of SanGIS that are principally supported by member agencies and are intended to recover all or a significant portion of their costs through user fees and charges. The financial statements include the Independent Auditor's Report, Management's Discussion and Analysis and basic financial statements with accompanying notes. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 10 of this report.

SanGIS adopted Governmental Accounting Standard's Board (GASB) Statement No. 34, 37 and 38 on July 1, 2001. The adoption results in the financial transactions of SanGIS being accounted for on the accrual basis of accounting under which revenues are recognized in the period earned and expenses are recognized in the period incurred. In addition, a Management's Discussion and Analysis (MD&A) is included providing analysis of SanGIS' overall financial position and results of operations. Also, retained earnings are now referred to as net assets and the Statement of Cash Flows is presented using the direct method.

REQUIRED FINANCIAL STATEMENTS

The financial statements of SanGIS report information about SanGIS using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The **Statement of Net Assets** presents information on all of SanGIS' assets and liabilities, with the difference between the two reported as net assets. They also provide information about the nature and amounts of investments in resources (assets), the obligations to SanGIS' creditors (liabilities), provide the basis for computing rates of return, and assessing the liquidity and financial flexibility of SanGIS.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents information, showing changes in SanGIS' net assets for the year ended June 30, 2002. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement reflects the results of SanGIS' operations for the year identified and can be used to determine SanGIS' credit worthiness and its ability to successfully recover all its costs through service fees and other charges.

The **Statement of Cash Flows** is required to provide information about SanGIS' cash receipts and cash payments during the year ended June 30, 2002. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities; and provide answers to questions of where cash came from, what cash was used for and what the changes in cash were for the reporting period covered.

FINANCIAL ANALYSIS

Since this is the first year of implementing and presenting the financial statements on a full accrual basis, prior year comparisons will begin next fiscal year. For the current fiscal year, amounts will be presented for fiscal year 2002.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of SanGIS, assets exceeded liabilities by \$678,793 at the close of the most recent fiscal year.

SanGIS' NET ASSETS

	2002
Current and Other Assets Capital Assets Total Assets	\$ 559,292 136,972 696,264
Liabilities Total Liabilities	 <u>17,471</u> 17,471
Net Assets Invested in Capital Assets, Net of Related Debt Unrestricted Total Net Assets	 136,972 541,821 678,793

A large portion of SanGIS' total net assets (80 percent) represents resources that are not subject to external restrictions on how they may be used.

SanGIS Activities

SanGIS activities decreased SanGIS' net assets by \$129,865. Key elements of this decrease are as follows:

SanGIS' CHANGES IN NET ASSETS

		2002
Revenues:		
Operating Revenues	•	226 969
City	\$	336,868
County		336,868 296,285
Licenses		206,380
Product Sales		7,500
SDG&E		7,500
General Revenues		24,845
Interest Income		183
Other		1,208,929
Total Revenues		
Expenses:		
General and Adminstrative		781,882
Technical Services		536,290
Depreciation Expense		20,622
Total Expenses		1,338,794
, otal Expenses		
Increase/(Decrease) in Net Assets		(129,865)
,		
Change in Net Assets		(129,865)
-		000.050
Net Assets - July 1, 2001		808,658
Net Assets - June 30, 2002	_\$	678,793

FINANCIAL ANALYSIS OF SanGIS

As of the end of the current fiscal year the unrestricted net assets of SanGIS is \$541,821, with net assets decreasing by \$129,865. These decreases are primarily attributed to expenditures being greater than the amount billed to the City and County with the difference coming from fund balance.

CAPITAL ASSETS

SanGIS' investment in capital assets for the year ended June 30, 2002 amounts to \$136,972 (net of accumulated depreciation). The total increase in SanGIS' investment in Capital Assets for the current fiscal year is 230 percent.

SanGIS' CAPITAL ASSETS
(Net of depreciation)

	2002	2001
Equipment	\$ 136,972.00	\$ 59,643.00
Total	\$ 136,972.00	\$ 59,643.00

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SanGIS" finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor & Comptroller, 202 C Street, City of San Diego, California 92101 or e-mailed to the City Auditor & Comptroller at auditor@sandiego.gov.

SAN DIEGO GEOGRAPHIC INFORMATION JOINT POWERS AGENCY ANNUAL FINANCIAL REPORT

STATEMENT OF NET ASSETS JUNE 30, 2002

ssh or Equity in Pooled Cash and Investments	\$ 354,270
counts Receivable	127,169
	72,815
le non Farscapania Agentica	2,054
spalu Experise.	2,984
Crued Interest Receivable	136,972
ipitai Assets	
TOTAL ASSETS	696,264
TIES	
counts Payable	17,471
TOTAL LIABILITIES	17,471
SSETS	
vected in Capital Assets. Net of Related Debt	136,972
nrestricted	541,821
TOTAL NET ASSETS	\$ 678,793
	re from Participating Agencies epaid Expense

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002

City....

County....

OPERATING REVENUES

ASSETS

	County	330,000
	Licenses	296,285
	Product Sales	206,380
	SDG&E	7,500
	SDG&E	
	TOTAL OPERATING REVENUES	1,183,901
OF	PERATING EXPENSES	
	General Administrative	781,882
	Technical Services	536,290
	Lechnical Services.	20,622
	Depreciation Expense	
	TOTAL OPERATING EXPENSES	1,338,794
	OPERATING INCOME (LOSS)	(154,893)
N	DNOPERATING REVENUES (EXPENSES)	
	Other Nonoperating Revenue (Expenditures)	183
	Interest on Investments	24,845
	Interest on investments.	
	TOTAL NONOPERATING REVENUES (EXPENSES)	25,028
	CHANGE IN NET ASSETS	(129,865)
		000.650
N-	et Assets at Beginning of Year as Restated	808,658
		\$ 678,793
Ν	ET ASSETS, END OF YEAR	\$ 070,133

\$ 336,868

336,868

See Notes to Financial Statements

SAN DIEGO GEOGRAPHIC INFORMATION JOINT POWERS AGENCY ANNUAL FINANCIAL REPORT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$	948.768
Payments to Suppliers	•	(720,436)
Payments to Employees		(660,205)
	-	(000,200)
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		(431,873)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Aquisition of Capital Assets		(97,951)
		· · · · · · · · · · · · · · · · · · ·
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(97,951)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments		32,562
NET OLOU PROMOTE BY (MOER FOR)		
NET CASH PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES		22.562
INVESTMENT ACTIVITIES		32,562
Net Increase(Decrease) in Cash and Cash Equivalent		(497,262)
Cash and Cash Equivalents at Beginning of Year		851,532
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	354,270
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$	(154,893)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided By (Used For)		
Operating Activities:		
Depreciation and Amortization		20,622
Changes in Assets and Liabilities:		
(Increase)Decrease in Accounts Receivable:		
Accounts - Net		(14,901)
Due From Prticipating Agencies		(72,815)
(Increase)Decrease in Prepaid and Reimbursable Items and Deposits		2,894
Increase(Decrease) in Accounts Payable		(65,363)
Increase(Decrease) in Deferred Revenue		(147,600)
Other Nonoperating Revenue (Expenses)		183
Total Adjustments		(276,980)
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	\$	(431,873)
		(, ., ., .,

See Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND OPERATIONS

The San Diego Geographic Information Source Joint Powers Agency ("SanGIS") was created in July 1997 by a Joint Powers Agreement between the City of San Diego ("City"), and the County of San Diego ("County") and commenced operations in September 1997. SanGIS was created to assist member agencies by providing and/or continuing the operation, maintenance, enhancement and implementation of a geographic information system. The computerized mapping system permits the City and County to provide compiled digital geographic data to other public agencies and also to the private sector.

As of July 1, 2001, SanGIS adopted the provisions of Governmental Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; Statement No. 37, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus"; and Statement No. 38, "Certain Financial Statement Note Disclosures". This results in a change in the format and content of the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of SanGIS conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

a. Basis of Presentation

SanGIS is organized on the basis of a fund and specified by the Joint Powers Agreement. The operations of the fund are accounted for with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses.

The SanGIS accounts are used to account for base costs, those costs necessary for operation, maintenance, enhancement and implementation of SanGIS. The accounts are also used to account for public access fees, product sales, licenses, and royalties.

The measurement focus of the fund is upon determination of financial position and changes in financial position, rather than net revenue determination.

b. Basis of Accounting

The financial transactions of SanGIS are accounted for on the accrual basis of accounting under which revenues are recognized in the period earned and expenses are recognized in the period incurred.

c. Cash and Investments

At July 1, 1997, the City and the Authority adopted Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires certain investments to be reported at fair value. At June 30, 2002, all such investments are presented at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Budgets

The annual budget for the SanGIS account is prepared by SanGIS management. The SanGIS Board of Directors reviews this preliminary budget and may make changes before adopting a final budget for the fiscal year.

The budget is prepared on the modified accrual basis of accounting, except that encumbrances outstanding at year-end are considered as expenditures. Budgetary control is generally maintained at the appropriations level.

e. Capital Assets

Capital assets are reported net of accumulated depreciation.

To meet the criteria for capitalization, an asset must have a useful life in excess of one year, and equal or exceed a capitalization threshold of \$3,000.

Capital assets are recorded at historical cost or estimated historical cost. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Assets	Years
Equipment	3-50
Structures and Improvements	20-50

f. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

g. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund balance since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

3. CASH AND INVESTMENTS

Cash resources of SanGIS are combined with the cash resources of the City to form a pool of cash that is managed by the City Treasurer.

3. CASH AND INVESTMENTS (Continued)

As provided for by the Government Code, the cash balance of substantially all City funds and certain entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. SanGIS net share of the total pooled cash and investments is included in the accompanying combining balance sheet under the caption "Cash or equity in pooled cash and investments". Interest earned on investments is deposited to certain participating City funds and entities, including SanGIS, based upon each fund's and each entity's average daily deposit balance during the allocation period with all remaining interest deposited to the City's General Fund.

The City may transact business only with banks, savings and loans, and investment security dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include: 1) obligations of the U.S. government and federal agencies, 2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, 3) bankers' acceptances, 4) negotiable and/or non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, 5) repurchase and reverse repurchase agreements, 6) the local agency investment fund established by the state treasurer, and 7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

Investment policies permit the City to enter into reverse repurchase agreements which is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received providing the dealers a margin against a decline in the market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities of cash or equal value, SanGIS could suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the reverse repurchase agreement obligation, including accrued interest payable. There was no such credit exposure at year-end.

Deposits and investments are generally exposed to two types of risk; credit risk and market risk. Credit risk is the risk that a governmental entity will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. Market risk is the risk that the value of an investment will decline.

In accordance with government reporting standards, the City has categorized its deposits and investments subject to credit risk categorization. Such information may be found in the City's Comprehensive Annual Financial Report.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance <u>June 30, 2001</u>	Additions	Retirements	Balance <u>June 30,2002</u>
Equipment	\$ 472,420	<u>\$97,951</u>	<u>\$</u>	<u>\$570,371</u>
Total	472,420	\$97,951	-	570,371
Less Accumulated Depreciation	(412,777)	(20,622)		(433,399)
Total, net	<u>\$ 59,643</u>	<u>\$77,329</u>	<u> </u>	<u>\$136,972</u>

5. RELATED PARTY TRANSACTIONS

SanGIS has entered into agreements with the City and the County. Under the agreements, the City and the County provide auditor, treasurer, legal, management, administrative and other necessary services until such time as the Board appoints others to fulfill those functions. SanGIS reimburses the City and the County at intervals based on the City's and the County's accounting periods in an amount equal to the actual cost of salaries, any fringe benefits (completed at the City's and the County's then prevailing rate) and other necessary expenses.

6. RESTATEMENT OF BEGINNING BALANCES

As a result of changes in accounting policies and implementation of GASB 34, the net assets as of June 30, 2001 have been restated as follows:

Fund balances, June 30, 2001, as	
previously reported	\$749,015
Reclassification/Adjustments	<u>59,643</u>
Net assets, June 30, 2001, as	
restated	<u>\$808,658</u>



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors San Diego Geographic Information Source San Diego, California

We have audited the financial statements of San Diego Geographic Information Source ("SANGIS"), a joint powers agency, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether SANGIS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the SANGIS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 27, 2002

Calderon, Jaham & Oshom

E-mail: cjocpas@thegrid.net